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SUBJECT: VODAFONE AND QATAR FOUNDATION BEAT AT&T FOR MOBILE
PHONE LICENSE

¶1. (U) United Kingdom-based Vodafone and its local partner, the Qatar Foundation (QF), won Qatar's second mobile phone operating license. The winning consortium plans to start operations in 2008 and would compete with government-owned Q-tel, currently Qatar's sole mobile telephone provider. Vodafone's successful bid knocked out U.S. bidder AT&T, which benefited from U.S. government and Embassy advocacy. (Note: U.S. company Verizon was affiliated with another bidding consortium, Zain, but that consortium did not request advocacy.)

¶2. (U) The Qatar Supreme Council for Telecommunication and Information Technology announced the winner of the mobile phone operating license December 10. Under the terms of the license, Vodafone-QF will be required to sell a 15-percent stake to the Government of Qatar and a 45-percent stake to the public in an initial public offering. QF and Vodafone would equally split the remaining equity holdings. Qatar's telecommunications regulatory authority, ictQatar, did not disclose the amount that the winning bidder paid for the license. The value of the license was initially valued at one billion Qatari riyals by most industry experts. According to Embassy sources, Vodafone bid around 2.25 Qatari riyals, or roughly 620 million U.S. dollars, in its successful effort.

¶3. (U) Prior to the issuance of Law Number 34 by Amiri Decree in November 2006, Q-tel held a complete monopoly in the telecommunications market, and there was no regulatory agency. The decision to allow a second mobile phone operator in Qatar is consistent with the government's stated aim to liberalize the telecommunications sector. Competition in the mobile phone sector is expected to begin in 2008, and the fixed-line market is on track for the establishment of a competitor to Q-tel during the same year.

¶4. (U) Vodafone's partner, the Qatar Foundation for Education, Science and Community Development, was founded by the Amir in 1995 as a private, non-profit organization charged with investing in programs in the fields of education, health, and community development. Sheikha Moza bint Nasser Al-Misned, consort of the Amir, chairs the QF's board of directors. Under her leadership, a number of separate but interrelated bodies have been established under the QF umbrella, including branch campuses of leading U.S. universities.

¶5. (SBU) Comment: The decision to award the license to Vodafone-QF means that the only foreign player in Qatar's telecommunications market is partnered with a governmental non-profit organization -- which is run by the Amir's wife -- and shares the market with another government entity, Q-tel. The predominant role of the Government of Qatar, and the family of the Amir, in the post-monopoly mobile telephone sector casts doubt on the government's stated goal of liberalizing the telecommunications sector.

